

DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov



KIRK CALDWELL
MAYOR

NELSON H. KOYANAGI, JR.
DIRECTOR

GARY T. KUOKAWA
DEPUTY DIRECTOR

September 8, 2016

The Honorable Ernest Y. Martin
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

RECEIVED
CITY CLERK
C & C OF HONOLULU
2016 SEP 8 AM 8:05

Dear Chair Martin and Councilmembers:

SUBJECT: Community Development Block Grant (CDBG) Workout Agreement

This is a follow up to our letter dated July 18, 2016, transmitting the letters from the U.S. Department of Housing and Urban Development (HUD) regarding the results of HUD's timeliness test and subsequent Workout Agreement.

Attached is a copy of the City's fully executed CDBG Workout Agreement with HUD, dated August 12, 2016.

The City is working to meet the timeliness test next year in order to avoid a reduction of our Fiscal Year 2018 CDBG allocation. City staff continue to assess the status and projections of projects already funded and projects awarded funds in Fiscal Year 2017, to determine each project's ability to expend funds in compliance with the timeliness standard. We are developing a plan to accomplish timeliness next year and look forward to working with you to explore our options.

The Honorable Ernest Y. Martin
Chair and Presiding Officer
and Members
September 8, 2016
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Your continued support of HUD's Community Planning and Development programs is greatly appreciated. If you have any questions regarding the information provided above, please call me at 768-3901.

Sincerely,

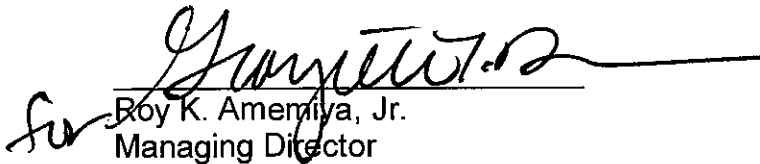


Nelson H. Koyanagi, Jr.
Director

Attachment

cc: Department of Community Services

APPROVED:



Roy K. Amemiya, Jr.
Managing Director



U.S. Department of Housing and Urban Development

Honolulu Field Office – Region IX
1132 Bishop Street, Suite 1400
Honolulu, Hawaii 96813
www.hud.gov
espanol.hud.gov

August 12, 2016

Mr. Nelson H. Koyanagi, Jr.
Director
Department of Budget and Fiscal Services
City and County of Honolulu
530 South King Street, Room 208
Honolulu, HI 96813

Dear Mr. Koyanagi:

Subject: Community Development Block Grant Workout Agreement

Transmitted herewith is the City and County of Honolulu's (City's) copy of the Community Development Block Grant (CDBG) Workout Agreement. The City was noncompliant with the CDBG timeliness standard with a balance of 2.47 times its annual grant on May 2, 2016. Failure to meet the CDBG 1.50 timeliness standard when the next test is conducted on May 2, 2017, will result in a reduction of the City's Program Year 2017 grant by 100 percent of the amount in excess of 1.50 times the annual grant. The CDBG Workout Agreement outline the details of the corrective actions to be taken by the City toward achieving the 1.50 ratio and avoiding a reduction in next year's grant amount.

HUD is available to assist you in any way possible in your goal to reach the 1.50 threshold before May 2, 2017. Should you have any questions regarding this letter, please contact me at 808-457-4678 or Rebecca Borja, Senior CPD Representative, at 808 457 4673.

Sincerely,

Mark A. Chandler, Director
Office of Community Planning
and Development

Enclosure

cc:

Mr. Gary Nakata
Director
Department of Community Services
City and County of Honolulu
715 South King Street, Room 311
Honolulu, HI 96813

2016 AUG 12 P 3:21

U.S. DEPARTMENT OF HOUSING
& URBAN DEVELOPMENT
COMMUNITY DEVELOPMENT

Ms. Connie Kaneshiro
Chief Fiscal and CIP Analyst
Department of Budget and Fiscal Services
City and County of Honolulu
530 South King Street, Room 208
Honolulu, HI 96813

CDBG WORKOUT AGREEMENT
City and County of Honolulu
Program Year 2015

This Agreement, by and between the U.S. Department of Housing and Urban Development (HUD), and the City and County of Honolulu (City), is effective on the date executed by HUD.

Whereas, the U.S. Department of Housing and Urban Development (HUD) administers the Community Development Block Grant (CDBG) program established by Congress under the Housing and Community Development Act of 1974, as amended; and

Whereas, HUD has promulgated regulations for the CDBG program; and

Whereas, the City and County of Honolulu (City) is an entitlement recipient of CDBG funds under 24 CFR 570; and

Whereas, the City must comply with HUD program requirements in order to receive funding; and

Whereas, regulations at 24 CFR 570.902(a)(1)(i) requires an entitlement recipient of CDBG funds meet a 1.5 timeliness standard for the expenditure of CDBG program funds sixty days prior to the end of the grantee's current program year; and

Whereas, since Program Year 2008, the City has failed the CDBG timeliness test four out of the last eight program years in 2008, 2010, 2012 and 2015; and

Whereas, on May 2, 2016, the City had a balance in the Line of Credit Control System and revolving loan fund that was 2.47 times the City's annual allocation, thus failing the timeliness standard test; and

Whereas such failure, if repeated on May 2, 2017 will result in a reduction of the City's next CDBG grant by 100% of the amount in excess of the 1.5 timeliness standard; and

Whereas, the City receives CDBG project proposals through a request for proposals process; and

Whereas, the City's prior selection process did not screen and score candidate projects with as much emphasis on projects that could be carried out in a timely manner, which affected the CDBG Selection Committee's project rankings, and overall timely implementation of the City's CDBG program; and

Whereas, the projects that fall behind schedule directly impact the City's ability to meet CDBG timeliness requirements; and

NOW, THEREFORE, in order to avoid a reduction in next year's grant amount, the City and HUD agree as follows:

1. To ensure timely expenditure of grant funds, the City shall:
 - a. Invest in a grants management tool, acquire and implement a software program to provide a system for grant and contract management.
 - b. Develop a process for assessing projects and subrecipients for future funding that will:
 - i. Build timeliness into the process of determining which projects to fund;
 - ii. Avoid prematurely funding projects not ready to move forward quickly; and
 - iii. Assist subrecipients stage projects properly so large amounts of CDBG funds do not sit idle.
 - c. Develop, for each open CDBG-funded project, clear objectives, measurable results, and a schedule for obligation and expenditure of funds which is tied to key project milestones. The City shall assure that actual performance can be measured against expectations and that timeliness is factored into program management.
 - d. Prior to executing the subrecipient agreement, the City shall:
 - i. Conduct a written review of the project and ensure that the project has clear objectives, measurable results, a schedule for obligation and expenditure of project funds tied to project milestones.
 - ii. Submit its draft subrecipient agreement with its written project review to the City Department of Budget and Fiscal Services Chief Fiscal and CIP Analyst, currently Connie Kaneshiro, for certification of the subrecipient agreement's consistency with the approved Action Plan.
 - e. Take action to speed up the completion of existing projects and to obligate the funds faster by modifying or terminating projects.
 - f. Within 60 days of the effective date of this Agreement, the City shall:
 - i. Review currently funded projects to see if funds can be reprogrammed and spent faster on another project.
 - ii. For projects that have Action Plan approval but no subrecipient agreement, execute a subrecipient agreement or cancel the project.
 - g. Complete environmental assessments and requests for environmental release of funds in accordance with 24 CFR Part 58.

2. The City agrees to the minimum monthly expenditure/fund balance standard to be met by the last day of each month as identified in Table 1 with the intent of achieving CDBG timeliness by May 2, 2017.

TABLE 1

Month	Month End Fund Balance	Projected Ratio
May 2, 2016	\$ 17,977,590	2.47
***	***	***
July 31, 2016	\$ 17,023,427	2.34
August 30, 2016	\$ 25,997,448	3.57
September 30, 2016	\$ 25,425,178	3.49
October 31, 2016	\$ 24,772,037	3.40
November 30, 2016	\$ 23,820,841	3.27
December 31, 2016	\$ 22,889,647	3.14
January 31, 2017	\$ 21,731,213	2.98
February 28, 2017	\$ 20,830,778	2.86
March 31, 2017	\$ 19,377,343	2.66
April 30, 2017	\$ 10,928,757	1.50
May 2, 2017	\$ 10,928,757	1.50

Notes:

The month end fund balance for July 2016 includes LOCCS balances and \$2,174,900.66 balance in the CDBG Revolving Loan Fund reported by City.

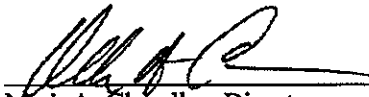
The month end fund balance for August 2016 includes the City Program Year 2016 CDBG allocation of \$7,285,838 and anticipated CDBG program income of \$2,036,411 included in the City's PY 2016 Action Plan.

The projected ratio is the key requirement for each month. The City must account for both LOCCS balance and program income on hand (including excess funds in the CDBG Revolving Loan Fund) to achieve the projected ratio requirement.

3. The City agrees to send a monthly report by the seventh calendar day of each month to HUD, Honolulu Field Office, Office of Community Planning and Development starting August 7, 2016 and expiring May 7, 2017. In its monthly report, the City will indicate its compliance with this Workout Agreement and progress in meeting the monthly expenditure/fund balance standard. The report shall include a table identifying the target ratio and the City's actual ratio for the last day of the prior month.

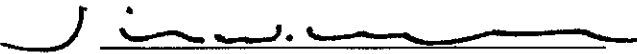
Month	Month End Fund Balance				Actual Ratio	Projected Ratio
	LOCCS	Program Income	CDBG Revolving Loan Fund	Total		

The Parties hereby execute this CDBG Workout Agreement on the dates set forth below by their respective signatures.



Mark A. Chandler, Director
Office of Community Planning and Development
Honolulu Field Office

8/12/16
Date



Kirk Caldwell, Mayor
City and County of Honolulu

AUG -9 2016
Date